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No. 549

(4)

# Supreme Court of the United States.

October Term, 1945.

**Edward F. McGunnigal, Jr., et al.,**  
**Petitioners,**

v.

**United States of America,**  
**Respondent.**

**PETITION FOR WRIT OF CERTIORARI TO THE  
UNITED STATES CIRCUIT COURT OF  
APPEALS FOR THE FIRST CIRCUIT**  
**and**  
**BRIEF IN SUPPORT THEREOF.**

**JOSEPH KRUGER,**  
**Attorney for Petitioners.**

Of Counsel:

**WIDETT & KRUGER.**



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# Supreme Court of the United States.

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OCTOBER TERM, 1945.

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EDWARD F. McGUNNIGAL, JR., ET AL.,  
PETITIONERS,

v.

UNITED STATES OF AMERICA,  
RESPONDENT.

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## PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIRST CIRCUIT.

This is a petition for a writ of certiorari to review the final judgment of the Circuit Court of Appeals entered September 17, 1945 (R. 76), affirming upon a consolidated appeal the several judgments of the District Court for the District of Massachusetts entered October 30, 1944, and October 31, 1944, against the defendants, these petitioners (R. 9-16).

### Statement of the Matter Involved.

The indictment (R. 1-7) charges the petitioners under 18 U.S.C. § 88, with a conspiracy to defraud the United States in violation of the "False Claims Statute," 18 U.S.C. § 80.

The petitioners were employed by Bethlehem-Hingham Shipyard, Inc., a private corporation engaged in constructing vessels of war under contracts entered into between the Shipyard corporation and the United States. The indictment charges them with conspiring to enter on daily tally sheets amounts of work in excess of that performed, so that they would be given credit and paid by the Shipyard for hours of work to which they were not truly entitled, knowing that the Shipyard would be reimbursed by the Navy Department for such fraudulent excess payments out of funds of the United States (R. 2-6).

The District Court denied motions for directed verdicts (R. 8). Upon a finding of guilty by the jury the petitioners other than Edward F. McGunnigal, Jr., were sentenced to imprisonment of two months. Edward F. McGunnigal was sentenced to imprisonment of six months (R. 9-16).

The Circuit Court of Appeals, in affirming the conviction, held that, though the petitioners, testifying in their own behalf, had denied knowledge of the fact that the ships upon which they had worked were being built under "cost plus" contracts, nevertheless they knew that those ships were being built for the United States, or an ally under lend lease, and that the United States would eventually pay for them, and knowing this much, and it being generally known that the "cost plus" type of contract was widely used by the government during the war, it might logically be inferred that the petitioners knew, or at least had reason strongly to suspect, that the payrolls which they conspired to pad would ultimately be paid by the United States (R. 73-74).

#### **Jurisdiction.**

The judgment of the Circuit Court of Appeals was entered on September 17, 1945. The jurisdiction of this court

is invoked under Section 240(a) of the Judicial Code, as amended, 28 U.S.C. § 347(a).

**Questions Presented.**

1. Is a conspiracy to defraud a private corporation in which the United States is not a stockholder, but with which the United States has entered into contracts for the construction of war ships on a "cost plus" basis, a criminal conspiracy to defraud the United States?
2. Must the specific intent to defraud the United States averred in an indictment for conspiracy to defraud the United States under 18 U.S.C. § 88, be established by the evidence, or will an intent to defraud a private corporation in which the United States is not a stockholder, but with which the United States has entered into contracts for the construction of war ships on a "cost plus" basis, suffice?
3. In determining whether or not defendants charged with conspiracy to defraud the United States under 18 U.S.C. § 88, know that it is the United States which is the object of the conspiracy, may an assumption, not based on any evidence, of a "general knowledge as to just how the Government had these ships built" serve as the basis for an inference by the jury of personal knowledge on the part of each defendant that the fraudulent claims would eventually be presented to the government?
4. Is there a criminal conspiracy to defraud the United States where the immediate and direct object of the unlawful agreement is not the United States but a private corporation in which the United States is not a stockholder, and where the United States may suffer only as a probable consequence of the operation of the unlawful agreement against such corporation?

### Reasons for Granting the Writ.

1. The Circuit Court of Appeals has decided important questions of federal law which have not been, but should be, settled by this court.

(a) The "False Claim Statute" is a major weapon in the government's armory for its protection against fraud.

This court has heretofore construed the statute as to a fraudulent claim against a corporation in which the United States is a stockholder, holding that the statute should be interpreted "to refer only to corporations, like the Fleet Corporation, that are instrumentalities of the Government and in which, for that reason, it owns stock." *United States v. Walter*, 263 U.S. 15 (1923). It has never had occasion to pass upon the situation presented by the instant case of a fraudulent claim against a private corporation in which the government holds no stock, but which it has contracted to reimburse for work done for or materials furnished to the government.

Because of enormously expanded governmental activity and its unprecedented procurement program, the situation has arisen and will hereafter arise again and again throughout the country. It is believed that many prosecutions involving this situation either have been or will be brought throughout the country. In the District Court of the United States for the District of Massachusetts, on Tuesday, October 9, 1945, for example, more than one hundred fifty cases of "fraud against the government" involving the Bethlehem-Hingham Shipyard alone were called for arraignment, disposition, change of plea.

(b) Apart from the specific interpretation of the "False Claim Statute," the instant case presents

questions of importance in the general federal criminal law and in the administration of justice: In prosecution of a crime requiring as an essential element specific personal knowledge on the part of the defendant, may a jury be permitted to infer such knowledge from an assumption of a "general knowledge" of a "fact" which is not based upon any evidence and of which a court could not have taken judicial knowledge? In the prosecution of a conspiracy requiring a specific intent to defraud the government, will evidence tending to show that a private corporation is the immediate victim of the fraud and that only ultimately may the government be defrauded support a conviction?

2. The Circuit Court of Appeals has rendered a decision in conflict with the decisions of other Circuit Courts of Appeals on the same matter. The decision in the instant case is believed to be in conflict with the decisions in the cases of *Salas v. United States*, 234 Fed. 842 (C.C.A. 2, 1916), and *Lowe v. United States*, 141 F. (2d) 1005 (C.C.A. 5, 1944); *United States v. Peoni*, 100 F. (2d) 401 (C.C.A. 2, 1938).

3. The Circuit Court of Appeals has rendered a decision probably in conflict with applicable decisions of this court. Although this court has not passed upon the exact question of statutory interpretation here in issue, it is believed that this court has decided the question of the scope of the statute under a parallel provision of the statute, 18 U.S.C. § 76, in a way probably in conflict with the decision of the Circuit Court of Appeals. *Pierce v. United States*, 314 U.S. 306 (1941). See *United States v. Walter*, 263 U.S. 15 (1923).

Wherefore the petitioners respectfully pray that their petition for a writ of certiorari be granted.

EDWARD F. McGUNNIGAL, JR.,  
ANIBAL BATISTE,  
RENE BIGANZOLI,  
HYMAN PARIS,  
CARL A. TESTA,  
JOHN W. WELCH,  
ALFRED ZANI,

By their Attorney,  
JOSEPH KRUGER.

Of Counsel:

WIDETT & KRUGER.





## BRIEF IN SUPPORT OF PETITION.

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### **Opinions Below.**

No opinion was rendered by the District Court in this case.

The opinion of the Circuit Court of Appeals was handed down on September 17, 1945, and has not yet been officially reported. It appears on pages 67 to 75 of the Record.

### **Jurisdiction.**

The jurisdiction of this court is invoked under section 240(a) of the Judicial Code, as amended, 28 U.S.C. § 347(a).

### **Statement of the Case.**

The basic facts have been summarized in the foregoing petition.

### **Specification of Errors.**

The errors assigned (R. 64-65), upon numbers 1 and 2(b) of which the petitioners rely, raise in substance the issues set forth under "Questions Presented" in the foregoing petition, and in addition the question whether the trial court committed prejudicial error in admitting in evidence the copies of contract between the United States and the Shipyard.

### **Summary of Argument.**

#### **I.**

The statute, 18 U.S.C. § 80 (Criminal Code, Section 35 (A)), does not include within its scope the presenting

of a false claim to a corporation other than one which is both an instrumentality of the United States and in which the United States is also a stockholder.

The literal wording of the statute so indicates, speaking only of the United States, or any department thereof, or any corporation in which the United States is a stockholder.

It was not the intention of Congress to include within the scope of the statute a private corporation, such as the Shipyard, whose only relationship with the United States is by virtue of a contract to do work for the United States. *Salas v. United States*, 234 Fed. 842 (C.C.A. 2, 1916). *United States v. Lowe*, 141 F. (2d) 1005 (C.C.A. 5, 1944). Report of Committee on the Judiciary of the House of Representatives on bill S. 3470. Amendment to Section 35 of the Criminal Code, 65th Congress, Second Session. House of Representatives Report No. 668. See *United States v. Walter*, 263 U.S. 15 (1923).

A judicial enlargement of a criminal act by interpretation such as here contended for by the government violates the fundamental common-law principle that crimes must be defined with definiteness. For that reason this court has declined so to interpret a parallel provision of the Criminal Code, 18 U.S.C. § 76. *Pierce v. United States*, 314 U.S. 306 (1941).

Moreover, where a federal statute creates offenses which duplicate or build upon state law, courts should be reluctant to expand the defined offenses beyond the clear requirements of the terms of the statute. It should be borne in mind that the double jeopardy provision of the Fifth Amendment does not stand as a bar to federal prosecution although a state conviction based on the same acts has already been obtained. *Jerome v. United States*, 318 U.S. 101, 104-105 (1943).

## II.

In prosecution of a crime requiring as an essential element specific personal knowledge on the part of the defendant, the jury should not be permitted to infer such knowledge from an assumption of a "general knowledge" of a "fact" not based upon evidence, and of which the court itself could not have taken judicial knowledge. To do so is to permit suspicion and conjecture to take the place of evidence.

## III.

There is not a criminal conspiracy to defraud the United States where the immediate and direct object of the unlawful agreement is not the United States but the Shipyard, a private corporation in which the United States holds no stock, and where the United States may suffer only as a probable consequence of the operation of the unlawful agreement against the Shipyard. The rule as to criminal liability is not the same as that applied in a civil case. See opinion of Mr. Justice Learned Hand in *United States v. Peoni*, 100 F. (2d) 401, 402 (C.C.A. 2, 1938).

### **Argument.**

#### I.

The statute, 18 U.S.C. § 80 (Criminal Code, Section 35 (A)), does not include within its scope the presenting of a false claim to a corporation other than one which is both an instrumentality of the United States and in which the United States is also a stockholder.

The literal wording of the statute so indicates, speaking only of the United States, or any department thereof, or any corporation in which the United States of America is a stockholder. The Shipyard is not the United States, nor any department thereof, nor a corporation in which the

United States is a stockholder. It is a private corporation whose only relationship with the United States is by virtue of a contract to do work for the United States.

Congress did not intend to include such a corporation within the scope of the statute. Prior to the amendment of October 23, 1918, the statute did not include the phrase "or any corporation in which the United States of America is a stockholder." Under the statute as it then read, a prosecution for conspiracy to defraud the United States was undertaken against a defendant who had presented false claims to a railroad corporation the capital stock of which was wholly owned by the United States. It was held that the conspiracy was one to defraud the corporation, not the United States, and was not within the scope of the statute. *Salas v. United States*, 234 Fed. 842 (C.C.A. 2, 1916).

Thereafter, by Act of October 23, 1918, C. 194, 40 Stat. 1015, Congress amended the statute by including therein an offense against "any corporation in which the United States of America is a stockholder."

"... it was enacted after Congress contemplating the possibility of the war that ensued had authorized the formation of the Fleet Corporation under laws deriving their authority from earlier statutes of the United States. We are not informed whether at that time the United States owned stock in corporations other than the instrumentalities created with reference to the needs of that war, but we cannot doubt that the act was passed with a special view to them." *United States v. Walter*, 263 U.S. 15 (1923).

It is evident from the Congressional Committee report on the proposed amendment of the statute that Congress felt that such corporations were not encompassed within the provisions of the statute as it then stood, and that its

purpose in amending the statute was to bring such corporations within its scope.\*

The case of *United States v. Walter*, 263 U.S. 15 (1923), interpreted this amendment. That was an indictment for conspiracy to defraud the United States and to commit an offense against the United States by making and presenting for payment a fraudulent claim against the United States Emergency Fleet Corporation, a corporation formed under the laws of the District of Columbia, of which the United States owned all the stock. A demurrer was sustained by the District Court on the ground that the Act of 1918 must be taken literally as embracing any corporation in which the United States owned a single share of stock, and so construed went beyond the power of Congress. This court reversed the judgment, being of opinion that the Act of 1918 should be construed to refer only to corporations, like the Fleet Corporation, that are instrumentalities of the government and in which for that reason it owns stock.

From this history of the statute it would seem clear that prior to the Act of 1918 a conspiracy to defraud a private corporation, even though the United States owned all of its capital stock, was not within the scope of the statute; that by the Act of 1918 Congress intended to bring within its purview corporations, like the United States Emer-

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\*Report of Committee on the Judiciary of the House of Representatives on bill S. 3470. Amendment to Section 35 of the Criminal Code, 65th Congress, Second Session. House of Representatives Report No. 668, p. 2: "The amendments serve to fully re-enact and reinforce the provisions of section 35 of the Criminal Code so that it will include all the offenses heretofore contained therein and an offense against 'any corporation in which the United States of America is a stockholder' either as to the presentation of a false claim, a falsification of statements or representations, . . . against the United States, or of any department thereof, or any corporation in which the United States of America is a stockholder. . . ."

gency Fleet Corporation, that are instrumentalities of the government and in which for that reason it owns stock, and did not intend to include a private corporation in which the United States owned some stock.

It would seem to follow, therefore, that *a fortiori* Congress did not intend at any time to include a private corporation, not an instrumentality of the government, in which the United States owned no stock, and with which it had only a contractual relationship. *United States v. Lowe*, 141 F. (2d) 1005 (C.C.A. 5, 1944), so holds.

A judicial enlargement of a criminal act by interpretation such as here contended for by the government violates the fundamental common-law principle that crimes must be defined with definiteness. For that reason this court has declined so to interpret a parallel provision of the Criminal Code, 18 U.S.C. § 76. *Pierce v. United States*, 314 U.S. 306 (1941).

The *Pierce* case was an indictment for false personation of an officer or employee of the United States (T.V.A.) with intent to defraud, in violation of 18 U.S.C. § 76, Criminal Code, Section 32. The statute in effect at the time of the commission of the alleged offense did not speak of pretenses of acting under the authority "of any corporation owned or controlled by the United States," a phrase which was added by subsequent amendment. As stated by Mr. Justice Reed at page 311:

"These legislative extensions of the scope of the Act were in accord with the growing importance of the administrative corporation, but a comparable judicial enlargement of a criminal Act by interpretation is at war with a fundamental concept of the common law that crimes must be defined with appropriate definiteness. . . . While the act should be interpreted 'so as . . . to give full effect to its plain terms,' . . . we should not depart from its words and context."

The court in the *Pierce* case made mention of the parallel amendment of the statute here in issue, saying, at page 312: "Another section of the Criminal Code (§ 35) was amended to meet the new development, by the Act of October 23, 1918, 40 Stat. 1015."

Moreover, where a federal statute creates offenses which duplicate or build upon state law, courts should be reluctant to expand the defined offenses beyond the clear requirements of the terms of the statute.

"Since there is no common law offense against the United States (*United States v. Hudson*, 7 Cranch, 32; *United States v. Gradwell*, 243 U. S. 476, 485), the administration of criminal justice under our federal system has rested with the states, except as criminal offenses have been explicitly prescribed by Congress. We should be mindful of that tradition in determining the scope of federal statutes defining offenses which duplicate or build upon state law. In that connection it should be noted that the double jeopardy provision of the Fifth Amendment does not stand as a bar to federal prosecution though a state conviction based on the same acts has already been obtained." *Jerome v. United States*, 318 U.S. 101, 104-105 (1943).

## II.

In prosecution of a crime requiring as an essential element specific personal knowledge on the part of the defendant, the jury should not be permitted to infer such knowledge from an assumption of a "general knowledge" of a "fact" not based upon evidence, and of which the court itself could not have taken judicial notice.

To do so is to permit suspicion and conjecture to take the place of evidence.

## III.

There is not a criminal conspiracy to defraud the United States where the immediate and direct object of the unlawful agreement is not the United States but the Shipyard, a private corporation in which the United States holds no stock, and where the United States may suffer only as a probable consequence of the operation of the unlawful agreement against the Shipyard.

The rule as to criminal liability is not the same as that applied in a civil case. See opinion of Mr. Justice Learned Hand in *United States v. Peoni*, 100 F. (2d) 401, 402 (C.C.A. 2, 1938).

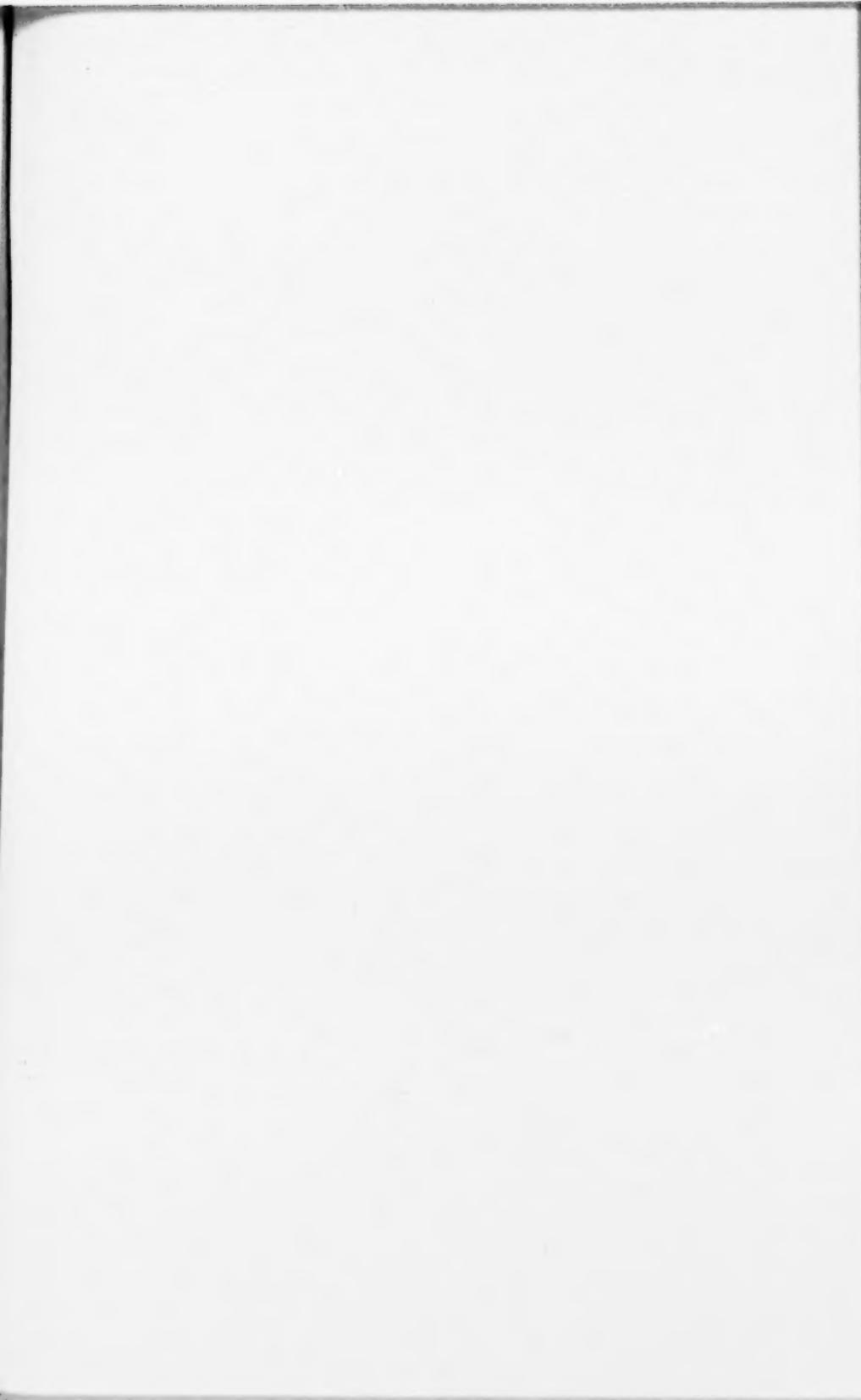
**Conclusion.**

It is respectfully submitted that this case is one calling for the exercise by this court of its appellate jurisdiction, and that to such end a writ of certiorari should issue to the Circuit Court of Appeals for the First Circuit.

Respectfully submitted,  
JOSEPH KRUGER,  
Attorney for Petitioners.

Of Counsel:

WIDETT & KRUGER.





**Appendix.****STATUTES INVOLVED.**

18 U.S.C. § 88 (Criminal Code, Section 37): "*Conspiring to commit offense against United States.* If two or more persons conspire either to commit any offense against the United States, or to defraud the United States in any manner or for any purpose, and one or more of such parties do any act to effect the object of the conspiracy, each of the parties to such conspiracy shall be fined not more than \$10,000, or imprisoned not more than two years, or both."

18 U.S.C. § 80 (Criminal Code, Section 35 (A)): "*Presenting false claims.* Whoever shall make or cause to be made or present or cause to be presented, for payment or approval, to or by any person or officer in the civil, military, or naval service of the United States, or any department thereof, or any corporation in which the United States of America is a stockholder, any claim upon or against the Government of the United States, or any department or officer thereof, or any corporation in which the United States of America is a stockholder, knowing such claim to be false, fictitious, or fraudulent; or whoever shall knowingly and willfully falsify or conceal or cover up by any trick, scheme, or device a material fact, or make or cause to be made any false or fraudulent statements or representations, or make or use or cause to be made or used any false bill, receipt, voucher, roll, account, claim, certificate, affidavit, or deposition, knowing the same to contain any fraudulent or fictitious statement or entry in any matter within the jurisdiction of any department or agency of the United States or of any corporation in which the United States of America is a stockholder, shall be fined not more than \$10,000 or imprisoned not more than ten years, or both."

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(II)



# In the Supreme Court of the United States

OCTOBER TERM, 1945

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No. 549

EDWARD F. McGUNNIGAL, JR., ET AL., PETITIONERS  
*v.*

UNITED STATES OF AMERICA

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*ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED  
STATES CIRCUIT COURT OF APPEALS FOR THE FIRST  
CIRCUIT*

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BRIEF FOR THE UNITED STATES IN OPPOSITION

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OPINION BELOW

The opinion of the circuit court of appeals (R. 67-74) is not yet reported.

## JURISDICTION

The judgment of the circuit court of appeals was entered on September 17, 1945 (R. 75). The petition for a writ of certiorari was filed on October 22, 1945. The jurisdiction of this Court is invoked under Section 240 (a) of the Judicial Code, as amended by the Act of February 13, 1925. See also Rules XI and XIII of the Crimi-

nal Appeals Rules promulgated by this Court on May 7, 1934.

**QUESTIONS PRESENTED**

1. Whether an agreement by workers to pad the pay roll of a government contractor who will innocently present a claim to the United States for reimbursement of the false wages paid, constitutes a conspiracy to defraud the United States by causing false claims to be presented to it.
2. Whether, under the trial judge's instructions, the jury was allowed to return a verdict of guilty based upon conjecture as to a matter of public knowledge.
3. Whether a conspiracy which, to the knowledge of the defendants, has as its natural and probable consequences a fraud upon the United States, constitutes a conspiracy to defraud the United States.

**STATUTES INVOLVED**

Section 37 of the Criminal Code (18 U. S. C. 88) provides:

If two or more persons conspire either to commit any offense against the United States, or to defraud the United States in any manner or for any purpose, and one or more of such parties do any act to effect the object of the conspiracy, each of the parties to such conspiracy shall be fined not more than \$10,000, or imprisoned not more than two years, or both.

Section 35 (A) of the Criminal Code (18 U. S. C. 80) provides in part:

Whoever shall make or cause to be made or present or cause to be presented, for payment or approval, to or by any person or officer in the civil, military, or naval service of the United States, or any department thereof, or any corporation in which the United States of America is a stockholder, any claim upon or against the Government of the United States, or any department or officer thereof, or any corporation in which the United States of America is a stockholder, knowing such claim to be false, fictitious, or fraudulent; \* \* \* shall be fined not more than \$10,000 or imprisoned not more than ten years, or both.

#### STATEMENT

A conspiracy indictment (R. 1-7) returned against petitioners and others in the United States District Court for the District of Massachusetts alleged that the Bethlehem-Hingham Shipyard, Inc., was constructing numerous escort vessels for the United States under two contracts with the Navy Department, which provided that the Shipyard should be reimbursed for the cost of constructing the vessels. The petitioners Batista, Biganzoli, Paris, Testa, Welch and Zani and other defendants who did not stand trial or did not appeal from their convictions (see R. 2-4, 45) were described as welders employed by the Shipyard

who were paid for the hours of work actually performed by them and for "bonus hours" which they might earn under a work-incentive plan in force at the Shipyard. The "bonus hours" were described as half the number of hours saved by the welder by reason of having accomplished more work in a certain period than was expected under certain work schedules. (R. 3-4.)

Petitioner Edward F. McGunnigal, Jr., and the defendant George W. Bodenschatz allegedly were employed by the Shipyard as "counters" to count and measure the amount of work performed by the welders and to record the correct amounts of work done by each welder on a daily tally sheet, which was thereafter transmitted to the accounting department of the Shipyard. It was alleged that the daily tally sheets were used by the accounting department to compute the number of "bonus hours" earned by each welder and his weekly wages, and the payroll charges for work done under the contract. The payroll charges were alleged to have been submitted by the Shipyard to the Navy Department periodically as parts of claims by the Shipyard for the reimbursement of the cost of performing the contracts. (R. 4.)

The indictment then charged that petitioners and the other defendants conspired to defraud the United States by agreeing that the counters, McGunnigal and Bodenschatz, in return for certain money paid to them by the welders, would make

out false daily tally sheets showing that the welders had performed more work than they had actually accomplished and that the false tally sheets would be forwarded by the counters to the accounting division of the Shipyard. It was alleged that it was the purpose of the conspirators that the welders would be given credit and paid for bonus hours which they had not earned. Finally, it was charged that petitioners "well knew that the said Shipyard would be reimbursed by the Navy Department for the cost of work done in connection with the manufacture and construction of the aforesaid ships, and that the excess and fraudulent amounts of payroll payments which they would receive each payroll period would be charged and billed to the said Navy Department by the Shipyard and that said Navy Department would pay and reimburse the Shipyard for said false, fraudulent and excess payroll payments out of the funds of the United States of America." (R. 5-6.)

The defendant Bodenschatz, who testified on behalf of the Government, stated that he worked as a counter with petitioner McGunnigal on hulls 3080, 3081, and 3097 and that jointly they ran a "club" on each of these vessels (R. 18-19, 20-21). The remaining petitioners and other welder defendants were members of one or more of these "clubs" and paid \$5.00 a week, except for petitioner Testa and defendant Scalzi who paid \$2.50 (R. 19, 21). The witness defined a "club" as

consisting of "people on the boat [who] were paying \$5 a week to McGunnigal for three hours or three and a half more bonus hours than they were actually entitled to" (R. 19). The welder petitioners were credited with about three extra bonus hours per day in return for the money which they paid (R. 19, 21). Both McGunnigal and Bodenschatz collected payments from the welders the day after pay day (R. 20) and split the collections between them either inside or outside the head houses (R. 20, 25). One of the means by which the welders were given extra bonus hours was to credit them with extra footage of welding on the daily tally sheets (R. 25-26).

Three of the welder defendants who had pleaded guilty, testified on behalf of the Government that they had worked on one of the hulls on which Bodenschatz and McGunnigal were counters and that they had paid money to both with the understanding that they would be given extra bonus hours (R. 31-33).

It was shown that the daily tally sheets were made out and given to the supervisors of the piecework counters, who sent them to the piece-work office (R. 27), where the rates for welding were entered and multiplied by the quantity of work shown, the allowed hours put down, and the premium rate and percentage of efficiency recorded (R. 28). The tallies were then sent to the payroll department, which computed the welders' total earnings for each day, including pre-

mium pay, from time cards and the daily tally sheets (R. 28). The payrolls were totaled each week and entered on a payroll sheet, and the cost figures reflected therein were determined and forwarded to the main office of the accounting department (R. 28).

The Government also introduced in evidence vouchers and supporting accounting which had been rendered by the Shipyard to the United States Government (R. 29). These vouchers included expenses for labor incurred on hulls 3080, 3081, and 3097, and were identified as the reimbursing vouchers covering all the paid or payable costs which were billed to the Government (R. 29-30).

The Naval Cost Inspector testified that he received the original vouchers from the accounting department of the Shipyard, and that they were signed by himself and the Technical Inspector and were immediately presented for payment to the Disbursing Office in Boston (R. 30).

Two agents of the Federal Bureau of Investigation testified as to written statements received from petitioners. The first paragraph of each statement was as follows:

I have been employed at Bethlehem-Hingham Shipyard, Hingham, Mass., since about \* \* \*, and since \* \* \* I have known that this shipyard is engaged 100% in building ships for the United States Government. (R. 30-31.)

Upon cross-examination each petitioner admitted knowing that he was working on destroyer-escort vessels which would be used in naval warfare and that those vessels were being built for the United States Government. All except petitioner Welch (R. 36) admitted knowing that the United States Government would pay for the vessels on which they were working. (R. 34-43.)

Petitioner McGunnigal received a sentence of six months' imprisonment (R. 10) and the remaining petitioners were sentenced to imprisonment for two months (R. 9-10, 11, 13-16). Execution of the sentences was stayed pending appeal (R. 16-17), and the convictions were affirmed by the Circuit Court of Appeals for the First Circuit (R. 75).

#### **ARGUMENT**

Petitioners' argument (Pet. 7-8, 9-13) that the so-called false claims statute (Sec. 35 (A) of the Criminal Code, 18 U. S. C. 80, *supra*, p. 3) does not extend to a corporation other than one which is both an instrumentality of the United States and in which the United States is also a stockholder, is not applicable to the facts of this case. The argument is pitched upon the premise that the submission of a padded tally sheet to a government contractor is not the presentation of a claim to the United States or a corporation in which the United States is a stockholder and, hence, is not a violation of the false claims statute.

This completely ignores the fact that this case arises under a statute involving causation, and accordingly the criminal responsibility is based not upon the acts of padding the payroll in themselves but upon the ultimate result known to flow from those acts. The false claim which fastens criminal responsibility upon petitioners is not the padded tally sheet, but the voucher and claim presented by the Shipyard to the Navy Department requesting reimbursement of wages paid by the Shipyard in constructing the warships. It is evident that the presentation of the false claim by the Shipyard was the natural and probable result of the turning in of padded tally sheets by petitioners and was thus "caused" by them within the interdiction of the false claims statute. The tally sheets were used to calculate the wages due the welders, and the wages were entered upon a payroll which was used in computing the labor costs for which the Shipyard claimed reimbursement in vouchers presented to the Naval Cost Inspector. The district court made this distinction clear to the jury, stating that the claims against the United States referred to by counsel for the defendants in his arguments were the vouchers submitted by the Shipyard and not the tally sheets, "So that the only other element that you have to concern yourselves with is whether or not these men caused these claims to be presented knowing that they were false" (R. 52). This Court has held that one may violate the false

claims statute by causing others to present a false claim to a government department (*United States ex rel. Marcus v. Hess*, 317 U. S. 537, 542-545) and it has been held that one knowingly causing others to make false statements in matters within the jurisdiction of a government department or agency is criminally responsible under the second clause of the statute.<sup>1</sup> *United States v. Goldsmith*, 108 F. 2d 917, 920 (C. C. A. 2), certiorari denied, 309 U. S. 678;<sup>2</sup> see also *United States v. Giles*, 300 U. S. 41.

2. Petitioners also contend, without supporting argument, that a jury in a criminal case should not be permitted to infer a specific personal knowledge from an assumption of a "general knowledge" of a "fact" not based upon evi-

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<sup>1</sup> The second clause of the statute covers those who "knowingly and willfully falsify or conceal or cover up by any trick, scheme, or device a material fact, or make or cause to be made any false or fraudulent statements or representations, or make or use or cause to be made or used any false bill, receipt, voucher, roll, account, claim, certificate, affidavit, or deposition, knowing the same to contain any fraudulent or fictitious statement or entry in any matter within the jurisdiction of any department or agency of the United States or of any corporation in which the United States of America is a stockholder \* \* \*." (18 U. S. C. 80).

<sup>2</sup> *Lowe v. United States*, 141 F. 2d 1005 (C. C. A. 5), is not to the contrary since in that case the indictment charged only that the false representation was made to an employee of the cost plus contractor and did not allege that such act caused any further false representation by the contractor to any government department or agency.

dence and of which the court itself could not take judicial knowledge (Pet. 9, 13). Evidently the contention is made in relation to the statement in the circuit court of appeals' opinion (R. 73) that "it being well known generally that the 'cost plus' type of contract was widely used by the Government during the late war, we think it might logically be inferred that [petitioners] in fact knew, or at least had reason strongly to suspect that the payrolls which they conspired to pad would ultimately be paid by the United States Government" (see Pet. 2).

However, the case was submitted to the jury upon the express instruction that "the burden is upon the Government to prove beyond a reasonable doubt that the defendant[s] had knowledge that the shipyard would present to the United States Government a claim for reimbursement for money paid to the defendant[s]" (R. 48). Later in his charge, the trial judge told the jury that in order to convict they must find that the defendants' plan was to cause false claims to be presented to or against the United States, but that knowledge that the claims would be paid by the United States could be inferred from the facts, circumstances, and conditions proved at the trial (R. 50-51). In elaborating this instruction, the judge stated that the jury could consider the type of contract between the United States and the Shipyard—whether it was a private and secret document or a public one to which all parties had

access—that “It may well be that there is general knowledge as to just how the Government has these ships built,” but that if the contract was a closely guarded one which only the Government and the Shipyard ever saw, the “suggestion of public knowledge could not be entertained.” The judge then went on to say that the jury should consider the circumstances under which the defendants were employed and the daily tally sheets were handled, together with the “statements that have been made” (see p. 7, *supra*), and he concluded this portion of his charge by saying that “those circumstances might justify you in believing that the Government has established the burden that they [the defendants] knew that these claims would eventually be presented to the United States Government and that their presentation might result in the Government being defrauded.” (R. 51.) In addition, earlier in his charge, the judge had stated that the jury should confine their deliberations to the evidence that they had heard in the case (R. 45); that the case against each defendant must be considered “on the facts as they have been developed here” (R. 46); and that the burden was on the Government “to establish every essential element of the crime charged beyond a reasonable doubt,” the term reasonable doubt being clearly explained (R. 47).

It is clear from the foregoing summary of the pertinent portions of the charge that the jury must have understood that a finding that peti-

tioners possessed knowledge that the Shipyard would present claims to the United States Government for reimbursement of their padded wages could not be based upon the conjecture that petitioners, as members of the public, had a general knowledge as to the type of contract under which the Government had the ships built. Having been repeatedly cautioned that they must consider only the evidence in the case and that in order to convict they must find beyond a reasonable doubt that petitioners knew that the padded wages would result in a false claim therefor being presented to the Government by the Shipyard, it seems obvious that the jury's verdict in this respect was not based upon any assumption of general knowledge that the ships were being built under cost-plus contracts, but was based upon all the evidence and circumstances adduced to show the existence of the required knowledge on their part.

The record supports the holding of the circuit court of appeals (R. 72-73) that there was sufficient evidence to enable the jury to infer that petitioners knew the pay rolls they conspired to pad would ultimately be paid by the United States<sup>2</sup> and under the circumstances, the sentence

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<sup>2</sup> The circuit court of appeals stated (R. 72):

\* \* \* we find evidence from which the jury could properly infer that the appellants knew that the fictitious labor charges would be reflected in higher costs to the Government and thus that the Government would ultimately be the victim of their fraud.

in the circuit court of appeals' opinion upon which petitioners rely (*supra*, p. 11) must be taken to express a view that the verdict was not unreasonable in the light of the general knowledge which the public possesses as to the Government's wide use of the "cost-plus" type of contract in connection with the acquisition of war matériel.

3. Finally, petitioners assert, again without supporting argument, that where the direct object of an unlawful agreement is fraud upon a private corporation, there is not a criminal conspiracy, even though as a probable consequence of the agreement the United States may suffer (Pet. 9, 14). This contention is rested solely upon a statement in *United States v. Peoni*, 100 F. 2d 401, 402 (C. C. A. 2), that the rule of criminal liability for the natural consequences of one's act is not the same as that applied in civil cases. That statement has no application here, where petitioners were convicted upon the finding that they knew the United States would be the ultimate victim of the fraud, whereas in the *Peoni* case there was no evidence showing that Peoni, who was the original possessor and seller of counterfeit notes, knew that the notes would ultimately find their way into the possession of the co-defendant Dorsey, a retailer and resident in another federal district. While it may be true that petitioners' immediate purpose and object were to

mulet their employer out of wages to which they were not entitled, they sought to achieve their ends by the fraudulent means of submitting false claims for wages knowing, as the jury found, that the Shipyard would present those claims to the United States for reimbursement. And even if petitioners and their co-conspirators had some immediate objective different from causing false claims to be presented to the United States, that fact would not relieve them from criminal responsibility. *Williams v. United States*, 295 Fed. 302, 304-405 (C. C. A. 5), certiorari denied, 265 U. S. 591; see also *United States v. Anderson*, 101 F. 2d 325 (C. C. A. 7), certiorari denied, 307 U. S. 625. Accordingly, petitioners' contention is of no avail since, as the jury found, they knew the ultimate consequences of their corrupt agreement.

#### **CONCLUSION**

The decision below is correct and the case presents no real conflict of decisions or question of substantial importance. We therefore respectfully submit that the petition for a writ of certiorari should be denied.

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